



Business License BUSINESS TAX TIPS

December 2006 Newsletter

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NEW ITEM

Transient Rental (Hotel/Motel) Tax Changes. Effective January 1, 2007, there will be changes to the City of Tucson's Transient Rental (Hotel/Motel) Tax Code. Currently, customers staying for 30 days or less are considered transient, and therefore, the gross sales are considered taxable. This will change to **less than 30 days**. Also, for a taxable business activity, if it is only available to hotel guests, then it is taxable as transient rental. If the taxable business activity is available to non-hotel guests, then it may be taxable under a different activity. In addition, there is a change to the tax rate used to compute delinquent transient rental taxes. These will be charged in the same a manner as the delinquent business privilege taxes. Please refer to the Audit Newsletter for a more detailed explanation of the Tax Code changes.

REMINDERS

Interest rates for Business Privilege delinquent payments and tax refunds and credits. The City uses the same interest rate as the Arizona Department of Revenue (ADOR). The interest rate is set each quarter beginning October 1, January 1, April 1, and July 1. To check interest rates, please go to the ADOR website at: <http://www.azdor.gov/ResearchStats/rates/tptinterestrates.htm>

Refund or credit requests must be in writing and contain the following information:

- 1) The business name, address, and license number of the taxpayer;
- 2) The specific grounds upon which the claim is based;
- 3) The specific tax periods involved; and
- 4) The dollar amount of the request for each tax period.

The four-year limitation period from the date the request is received applies. We will notify you within 30 days that your refund/credit request has been received and is being processed or that you need to provide additional information or supporting documentation (you will have 30 days to provide this information). The taxpayer may request in writing one or more 30-day extensions. Any taxpayer aggrieved by the refund/credit process may petition the Hearing Officer.

If you request a credit rather than a refund, please wait until you receive a Notice of Credit in the mail before you use it on your next Tax Return.

Preparing Tax Returns. Please use either black or blue ink when filling in the information on your tax return. We need to store tax items electronically. This will enable us to reproduce a clear copy, if necessary. Do not use pencil to prepare your tax return.

On-Line Banking. The problem with using on-line banking to pay your Business Privilege or Occupational taxes is that the check is delivered to the Collections Section without the Tax Return or Occupational Billing. This causes a delay in your payment being posted to your account for two reasons:

- 1) The Collections Section does not know what the payment is for, ie, water bill, sign code, taxes, etc.; and
- 2) The Collections Section cannot process a tax payment without the tax return or billing form.

However, if you reference on your check that it is for Business Privilege or Occupational taxes and include your license number, then we can search for your tax return sooner and match the two together and get them processed. Make sure that the check generated by your on-line banking system is addressed to PO Box 27320, and that

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you send your tax return or occupational billing form to the same address.

Computer Generated Tax Returns must be an exact match to the forms generated by the City of Tucson for your business activity. They must be pre-approved. The Business' name and location must be on the form.

We have blank forms on our website at:

<http://www.tucsonaz.gov/finance/BusInfo.html>

Amended Returns need to include an explanation of why you are amending your tax return along with supporting documentation to back up either the additional tax due or the claimed credit.

Delivery/Freight Charges: Charges for delivery at the time of transfer of tangible personal property to the buyer are exempt from gross sales, provided that they are separately billed to the customer and separately maintained in the business' books and records. Freight charges for delivery of merchandise to the business is a cost of doing business and is not exempt from gross sales.

All Tax Returns need to be signed and have a legible preparer's name and/or contact person including telephone number. By having a contact person and telephone number, we can obtain answers for any questions we may have. If issues are clarified quickly, we can post your return. This will help you to avoid receiving a delinquent statement.

Real Property Rental: The City continues to tax income received from leasing, renting, or the licensing for use of real property located within the city limits. Gross income includes payments by the lessee to, or on behalf of, the lessor for property taxes, repairs, or improvements.

Itemizing Deductions On Your Sales Tax Report: If you are taking deductions on the front page, they

must be itemized on the back page. If this is not done, your Sales Tax Report will not go through system edits and will have to be posted manually. Please be aware that when you do not complete the Sales Tax Report correctly, you may get a delinquent statement.

Phone Cards: Sales of phone cards **ARE TAXABLE** by the retailer.

Mailing Payments: When mailing tax payment, please use the return envelopes that are enclosed with your tax return or occupational billing. Your payment will then be delivered directly to the Cash Collections Section of the City of Tucson and will be posted to your account the same day. If you do not wish to use the return envelope, then send your payments to:

City of Tucson
Collections Section
PO Box 27320
Tucson, AZ 85726-7320

TAXPAYERS FILING QUARTERLY OR ANNUAL RETURNS

It is the taxpayer's responsibility to notify the tax collector and increase the reporting frequency to quarterly or monthly, as applicable, when the taxable income or tax due exceeds the maximum limits for the current reporting frequency as defined in the Tucson Code. Failure to do so may be deemed negligence or evasion, and penalties may apply. Also, failure to file returns timely, without good cause shown to the satisfaction of the tax collector, is sufficient cause for the tax collector to deny future filings by the taxpayer on a quarterly or annual basis, (Sec. 19-530). Chapter 19 of the Tax Code is on the City's website at: <http://www.tucsonaz.gov/finance/BusInfo.html>

REQUIREMENTS FOR AN OCCUPATIONAL LICENSE

The City of Tucson imposes two types of business taxes:

1. Business Privilege (sales) tax is

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levied on the gross income of every person selling or leasing tangible personal property and leasing real property within the city.

2. Occupational tax covers activities of service businesses and activities not subject to privilege tax.

An example of a business that requires both types of licensing is a licensed retailer who also has income from sales for resale, repairs, delivery charges (not by common carrier), and/or non-taxable services. This business needs an Occupational License to cover these deductions.

LICENSE CHANGES

Business Changes: A new business license application must be completed for changes to business name, location, and/or ownership. Applications may be requested by mail, phone, or an application form may be downloaded from our website at:

<http://www.tucsonaz.gov/finance/BusInfo.html>

For mailing address changes, you may call us at (520) 791-4566.

To cancel your license. You must send us written notification along with your license. Include the reason you need to cancel your license, the actual date of cancellation, your license number(s), business name(s), and owner(s) signature. If you are moving outside the city limits, a statement is required that you no longer come into the City of Tucson to do business. Send these items to the following address:

City of Tucson
Business License Section
PO Box 27210
Tucson, AZ 85726-7210

LICENSE APPLICATIONS, TAX RETURNS, AND INSTRUCTIONS

Blank license applications forms, tax returns, and instructions for each are available on our website at:

<http://www.tucsonaz.gov/finance/BusInfo.html>

For assistance or clarification of the above items call a Customer Service Representative in the License Section at (520) 791-4566. Our License Counter is on the first floor of City Hall and open 8 a.m. to 5 p.m. Monday through Friday